

AMENDMENTS

2000—Pub. L. 106-554 amended section catchline and text generally. Prior to amendment, text authorized appropriations to carry out this chapter for fiscal years 1998 through 2000 and limited obligation or expenditure of those funds prior to the budget review by the Council for that fiscal year.

1997—Pub. L. 105-135 amended section catchline and text generally. Prior to amendment, text read as follows: "There are authorized to be appropriated for each of fiscal years 1995 through 1997, to carry out this chapter, \$350,000."

EFFECTIVE DATE OF 1997 AMENDMENT

Amendment by Pub. L. 105-135 effective Oct. 1, 1997, see section 3 of Pub. L. 105-135, set out as a note under section 631 of this title.

CHAPTER 98—PUBLIC COMPANY ACCOUNTING REFORM AND CORPORATE RESPONSIBILITY

Sec.

7201. Definitions.

7202. Commission rules and enforcement.

- (a) Regulatory action.
- (b) Enforcement.
- (c) Effect on Commission authority.

SUBCHAPTER I—PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD

7211. Establishment; administrative provisions.

- (a) Establishment of Board.
- (b) Status.
- (c) Duties of the Board.
- (d) Commission determination.
- (e) Board membership.
- (f) Powers of the Board.
- (g) Rules of the Board.
- (h) Annual report to the Commission.

7212. Registration with the Board.

- (a) Mandatory registration.
- (b) Applications for registration.
- (c) Action on applications.
- (d) Periodic reports.
- (e) Public availability.
- (f) Registration and annual fees.

7213. Auditing, quality control, and independence standards and rules.

- (a) Auditing, quality control, and ethics standards.
- (b) Independence standards and rules.
- (c) Cooperation with designated professional groups of accountants and advisory groups.
- (d) Evaluation of standard setting process.

7214. Inspections of registered public accounting firms.

- (a) In general.
- (b) Inspection frequency.
- (c) Procedures.
- (d) Conduct of inspections.
- (e) Record retention.
- (f) Procedures for review.
- (g) Report.
- (h) Interim Commission review.

7215. Investigations and disciplinary proceedings.

- (a) In general.
- (b) Investigations.
- (c) Disciplinary procedures.
- (d) Reporting of sanctions.
- (e) Stay of sanctions.

7216. Foreign public accounting firms.

- (a) Applicability to certain foreign firms.
- (b) Production of audit workpapers.
- (c) Exemption authority.
- (d) Definition.

7217. Commission oversight of the Board.

Sec.

- (a) General oversight responsibility.
- (b) Rules of the Board.
- (c) Commission review of disciplinary action taken by the Board.
- (d) Censure of the Board; other sanctions.

7218. Accounting standards.

- (a) Omitted.
- (b) Commission authority.
- (c) No effect on Commission powers.
- (d) Study and report on adopting principles-based accounting.

7219. Funding.

- (a) In general.
- (b) Annual budgets.
- (c) Sources and uses of funds.
- (d) Annual accounting support fee for the Board.
- (e) Annual accounting support fee for standard setting body.
- (f) Limitation on fee.
- (g) Allocation of accounting support fees among issuers.
- (h) Omitted.
- (i) Rule of construction.
- (j) Start-up expenses of the Board.

SUBCHAPTER II—AUDITOR INDEPENDENCE

7231. Exemption authority.

7232. Study of mandatory rotation of registered public accounting firms.

- (a) Study and review required.
- (b) Report required.
- (c) Definition.

7233. Commission authority.

- (a) Commission regulations.
- (b) Auditor independence.

7234. Considerations by appropriate State regulatory authorities.

SUBCHAPTER III—CORPORATE RESPONSIBILITY

7241. Corporate responsibility for financial reports.

- (a) Regulations required.
- (b) Foreign reincorporations have no effect.
- (c) Deadline.

7242. Improper influence on conduct of audits.

- (a) Rules to prohibit.
- (b) Enforcement.
- (c) No preemption of other law.
- (d) Deadline for rulemaking.

7243. Forfeiture of certain bonuses and profits.

- (a) Additional compensation prior to noncompliance with Commission financial reporting requirements.
- (b) Commission exemption authority.

7244. Insider trades during pension fund blackout periods.

- (a) Prohibition of insider trading during pension fund blackout periods.
- (b) Notice requirements to participants and beneficiaries under ERISA.
- (c) Effective date.

7245. Rules of professional responsibility for attorneys.

7246. Fair funds for investors.

- (a) Civil penalties added to disgorgement funds for the relief of victims.
- (b) Acceptance of additional donations.
- (c) Study required.
- (d) Omitted.
- (e) Definition.

SUBCHAPTER IV—ENHANCED FINANCIAL DISCLOSURES

7261. Disclosures in periodic reports.

- (a) Omitted.
- (b) Commission rules on pro forma figures.
- (c) Study and report on special purpose entities.

Sec.	
7262.	Management assessment of internal controls. <ul style="list-style-type: none"> (a) Rules required. (b) Internal control evaluation and reporting.
7263.	Exemption.
7264.	Code of ethics for senior financial officers. <ul style="list-style-type: none"> (a) Code of ethics disclosure. (b) Changes in codes of ethics. (c) Definition. (d) Deadline for rulemaking.
7265.	Disclosure of audit committee financial expert. <ul style="list-style-type: none"> (a) Rules defining “financial expert”. (b) Considerations. (c) Deadline for rulemaking.
7266.	Enhanced review of periodic disclosures by issuers. <ul style="list-style-type: none"> (a) Regular and systematic review. (b) Review criteria. (c) Minimum review period.

§ 7201. Definitions

In this Act, the following definitions shall apply:

(1) Appropriate State regulatory authority

The term “appropriate State regulatory authority” means the State agency or other authority responsible for the licensure or other regulation of the practice of accounting in the State or States having jurisdiction over a registered public accounting firm or associated person thereof, with respect to the matter in question.

(2) Audit

The term “audit” means an examination of the financial statements of any issuer by an independent public accounting firm in accordance with the rules of the Board or the Commission (or, for the period preceding the adoption of applicable rules of the Board under section 7213 of this title, in accordance with then-applicable generally accepted auditing and related standards for such purposes), for the purpose of expressing an opinion on such statements.

(3) Audit committee

The term “audit committee” means—

(A) a committee (or equivalent body) established by and amongst the board of directors of an issuer for the purpose of overseeing the accounting and financial reporting processes of the issuer and audits of the financial statements of the issuer; and

(B) if no such committee exists with respect to an issuer, the entire board of directors of the issuer.

(4) Audit report

The term “audit report” means a document or other record—

(A) prepared following an audit performed for purposes of compliance by an issuer with the requirements of the securities laws; and

(B) in which a public accounting firm either—

(i) sets forth the opinion of that firm regarding a financial statement, report, or other document; or

(ii) asserts that no such opinion can be expressed.

(5) Board

The term “Board” means the Public Company Accounting Oversight Board established under section 7211 of this title.

(6) Commission

The term “Commission” means the Securities and Exchange Commission.

(7) Issuer

The term “issuer” means an issuer (as defined in section 78c of this title), the securities of which are registered under section 78l of this title, or that is required to file reports under section 78o(d) of this title, or that files or has filed a registration statement that has not yet become effective under the Securities Act of 1933 (15 U.S.C. 77a et seq.), and that it has not withdrawn.

(8) Non-audit services

The term “non-audit services” means any professional services provided to an issuer by a registered public accounting firm, other than those provided to an issuer in connection with an audit or a review of the financial statements of an issuer.

(9) Person associated with a public accounting firm

(A) In general

The terms “person associated with a public accounting firm” (or with a “registered public accounting firm”) and “associated person of a public accounting firm” (or of a “registered public accounting firm”) mean any individual proprietor, partner, shareholder, principal, accountant, or other professional employee of a public accounting firm, or any other independent contractor or entity that, in connection with the preparation or issuance of any audit report—

(i) shares in the profits of, or receives compensation in any other form from, that firm; or

(ii) participates as agent or otherwise on behalf of such accounting firm in any activity of that firm.

(B) Exemption authority

The Board may, by rule, exempt persons engaged only in ministerial tasks from the definition in subparagraph (A), to the extent that the Board determines that any such exemption is consistent with the purposes of this Act, the public interest, or the protection of investors.

(10) Professional standards

The term “professional standards” means—

(A) accounting principles that are—

(i) established by the standard setting body described in section 19(b) of the Securities Act of 1933 [15 U.S.C. 77s(b)], or prescribed by the Commission under section 19(a) of that Act [15 U.S.C. 77s(a)] or section 78m(b) of this title; and

(ii) relevant to audit reports for particular issuers, or dealt with in the quality control system of a particular registered public accounting firm; and

(B) auditing standards, standards for attestation engagements, quality control policies